UNITED STATES PATENT AND TRADEMARK OFFICE

APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/772,427	01/30/2001	David Lawrence	3499-93	9769

27383	7590	02/24/2004

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EXAMINER
FULTS, RICHARD C

ART UNIT	PAPER NUMBER
3628	

DATE MAILED: 02/24/2004

Please find below and/or attached an Office communication concerning this application or proceeding.

	Application No.	Applicant(s)
Office Action Summary	09/772,427	LAWRENCE, DAVID
	Examiner	Art Unit	
	Richard Fults	3628	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE <u>3</u> MONTH(S) FROM
THE MAILING DATE OF THIS COMMUNICATION.
- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed
  after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133).
  Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any
  earned patent term adjustment. See 37 CFR 1.704(b).

Status

1)☒ Responsive to communication(s) filed on <u>05 December 2003</u>.
2a)☐ This action is **FINAL**.   2b)☒ This action is non-final.
3)☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is
closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

4)☒ Claim(s) <u>47-53</u> is/are pending in the application.
    4a) Of the above claim(s) _____ is/are withdrawn from consideration.
5)☐ Claim(s) _____ is/are allowed.
6)☒ Claim(s) <u>47-53</u> is/are rejected.
7)☐ Claim(s) _____ is/are objected to.
8)☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

9)☐ The specification is objected to by the Examiner.
10)☐ The drawing(s) filed on _____ is/are: a)☐ accepted or b)☐ objected to by the Examiner.
    Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
    Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
11)☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

12)☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
    a)☐ All   b)☐ Some * c)☐ None of:
      1.☐ Certified copies of the priority documents have been received.
      2.☐ Certified copies of the priority documents have been received in Application No. _____.
      3.☐ Copies of the certified copies of the priority documents have been received in this National Stage
        application from the International Bureau (PCT Rule 17.2(a)).
    * See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

1)☒ Notice of References Cited (PTO-892)
2)☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
3)☐ Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08)
    Paper No(s)/Mail Date _____.

4)☐ Interview Summary (PTO-413)
    Paper No(s)/Mail Date. _____.
5)☐ Notice of Informal Patent Application (PTO-152)
6)☐ Other: _____.

DETAILED ACTION

This office action is responsive to Applicant's amendment and request for reconsideration (Paper No. 18) dated December 5, 2003, which canceled claims 24, 27, and 29-46, and added new claims 47-53. Accordingly claims 47-53 are presented for examination on their merits.

Claim Rejections - 35 USC § 112

The following is a quotation of the first paragraph of 35 U.S.C. 112:

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same and shall set forth the best mode contemplated by the inventor of carrying out his invention.

1.   Claims 47-53 are rejected under 35 U.S.C. 112, first paragraph, as failing to comply with the enablement requirement. The claim(s) contains subject matter which was not described in the specification in such a way as to enable one skilled in the art to which it pertains, or with which it is most nearly connected, to make and/or use the invention. The claims cite data structuring reliance upon the calculation of a risk "quotient" using an algorithm, which quotient by mathematical definition is the result of one number **divided** by another or expressed as a ratio (one number divided by another) of two numbers multiplied by 100. The specifications only mention a "quotient" resulting from two numbers being **multiplied** together. There is only a single paragraph in the specifications that describes the calculation by algorithm of a risk quotient, and that description is replete with the uncertain and non-specific terms "may be (or maybe not)" and "can be (or can not)", and does not clearly and adequately explain with certainty exactly how that quotient is calculated by one wishing to duplicate and use the invention. While an applicant may use his own defined words, those words cannot be the opposite of their normal well known meaning, which is the case when using the

word "quotient" meaning the result of division to describe instead the product of multiplication.

In addition there is no definition of what the first category or second category (political risk score) is for purposes of calculating the risk score, nor is there any definition of what or at what level the threshold is or how it is calculated, nor is there any definition of what the scale of the score is so as to determine what numerical level is considered high and what level is low. In the example on page 13 of the specifications it is stated that a quotient of −12 indicates a low risk, but on a scale of all negative numbers −1 million would be low and −12 would be high. There is also no definition of the numeric criteria is for each evaluation factor, nor a list of all the evaluation factors, in order for a user to determine exactly what is at issue and how the risk scores are to be calculated. The applicant has not described a specific list of evaluation factors of either the person or the transaction, nor has he provided a specific list of the weightings that should be applied to each factor, nor has he provided a specific equation of how the "quotient" is to be calculated, nor has he provided a method of calculating what a threshold should be, nor has he provided a specific and complete concrete example of how this invention should be used with all elements and equations defined and included.

There is only a general concept proposed that one should know who they are dealing with in a financial transaction through some undescribed set of evaluation factors with equally undescribed weighting criteria, and how that knowledge on some undescribed numeric scale might impact their decision to do business with them in some undescribed way.

The MPEP in section 2164.01(a) lays out Undue Experimentation Factors (A) through (H). The claims of the applicant are very broad and vague, there is essentially no direction provided by the inventor, and the users must of necessity conduct a great deal of experimentation on their part in order to use the invention – to the point where the users become the inventor of their own application of the invention, rather than the applicant.

The following is a quotation of the second paragraph of 35 U.S.C. 112:

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

2.   Claims 47-53 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention. The claim(s) contains subject matter which was not described in the specification in such a way as to enable one skilled in the art to which it pertains, or with which it is most nearly connected, to make and/or use the invention. The claims cite data structuring reliance upon the calculation of a risk "quotient" using an algorithm, which quotient by mathematical definition is the result of one number **divided** by another or expressed as a ratio (one number divided by another) of two numbers multiplied by 100. The specifications only mention a "quotient" resulting from two numbers being **multiplied** together. There is only a single paragraph in the specifications that describes the calculation by algorithm of a risk quotient, and that description is replete with the uncertain and non-specific terms "may be (or maybe not)" and "can be (or can not)", and does not clearly and adequately explain with certainty exactly how that quotient is calculated by one wishing to duplicate and use the invention. While an applicant may use his own defined words, those words cannot be the opposite of their normal well known meaning, which is the case when using the word "quotient" meaning the result of division to describe instead the product of multiplication.

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Claim Rejections - 35 USC § 101

35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

3.   Claims 47-53 are rejected under USC 101 as the claimed invention lacks patentable utility. The invention claims to evaluate risk associated with accounts held by a "politically identified person". The specifications provide very little usable clear

guidance as to how to objectively make this determination. Many subjective interpretive criteria are involved in coming up with the end result and, because of that subjectivity, it is not clear that the end result is predictive or actually useful. The algorithms are not given nor are the necessary list of essential elements or questions identified to produce the desired tangible and concrete end result.

Claim Rejections - 35 USC § 103

3.   The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

> (a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

4.   Claims 47-53 are rejected under 35 U.S.C. 103(a) as being unpatentable over Taub (US 6,341,267 B1)(hereinafter Taub) in view of Horowitz et al (US6,349,290 B1((hereinafter Horowitz) and Lange (US 6,321,212 B1) (hereinafter Lange) and Culhane (US6,513,018 B1) and Basch et al (US 6,119,103) (hereinafter Basch).

Taub discloses (see columns 1-30 but in particular columns 1-5) claims 47-53 as regards the computerized evaluation and gathering of information of personal behavioral and experience factors (politically identified person) in any specific role or situation (financial transaction), and structuring that information into useful criteria regarding probable behavioral patterns in applications to various work related activities, which activities could include financial transactions and political activities, including receiving information relating to political exposure relative to a financial transaction, structuring information according to risk quotient criteria, calculating a risk quotient using that information, suggesting an action responsive to the risk quotient including

refusing to perform the transaction and notifying an authority, aggregating risk quotients relating to a financial institution, storing information and the risk quotient and the suggested action and generating reports, where the financial transaction is either opening or blocking a financial account, calculating an average risk quotient, and a computer server system accessible with a network access device and related connected software to receive information relating to political exposure of a person in a financial transaction. Taub does not teach risk issues or politically identified persons per se nor the calculation of a risk score nor a threshold, and teaches only limited statistical analysis.

Horowitz discloses (see columns 1-48 but in particular columns 1-5) the computerized collection of personalized information (personal behavior (experience), financial aptitude, financial assets, and a combination of these factors) by a financial institution from a person with whom they are in a financial relationship, regardless of for whom they worked or whether or not they were an elected official (politically identified person).

Lange discloses (see pages 1-116 but in particular pages 1-14) a computerized method of statistically analyzing risk from financial transactions based on user data from the people involved in the financial transaction, using all the standard statistical and financial analysis methodology.

Culhane discloses (see columns 1-16) the calculation a score for the risk of financial collection based on two categories of financial transaction data, and making a financial decision based on the combination of the two scores and other characteristics of the customer (politically identified person).

Basch discloses (see columns 1-26) the prediction of financial risk by developing scores relative to a user defined threshold.

Because it would have been common sense and advantageous and would have provided a more comprehensive and cost efficient method of analyzing financial risks relative to the political/financial exposure involved it would have been obvious to one skilled in the art at the time of the of the invention to add the teachings of Horowitz and

Lange and Culhane and Basch to those of Taub, and to add those of Taub to those of the others for the same reason.

5. Note of Obviousness. The use and analysis of demographic/financial data and its application to the investigation of risk and detailed review of individuals/companies/cities/states/countries meeting certain criteria,, and business actions taken as a result of those analyses, are old and well known. The concept of "know your customer" has been used by banks and securities firms for several decades, and the concept of mental risk evaluation (score) of both customer and the relative risk of the transaction has been used by sellers and financial agents since the traders of antiquity, eg: a customer would be visually appraised, perhaps his currency inspected, and his background reputation investigated as might be possible to see what the relative risk (score) was of him living up to his side of the financial transaction, and then another simple mental risk score would be mentally calculated based on the relative size of the transaction – if a very small amount of money was involved there would be a very small risk and vice versa, and subsequent action taken based on the information obtained, including calling the authorities if he was a known criminal on the loose. Because of those facts it would have been obvious to one skilled in the art at the time of the invention to apply those concepts of demographic evaluation, know-your-customer, the subsequent action based upon that information, and the teachings of Taub to the evaluation of political risk exposure of a person involved in a financial transaction and action taken as a result of those analyses, and it would have been equally obvious to one skilled in the art at the time of the invention to have applied the concepts of Horowitz and Lange to the issue of political risk exposure of a person involved in a financial transaction and to have applied the financial risk scoring concepts of Culhane and Basch to the same issue.

6.   Response to Applicant's Arguments

35 USC 112. The statute states (**and requires**) that: The specification shall contain a written description of the invention, and of the **manner and process of**

**making and using it, in such full, clear, concise, and exact terms as to
enable any person skilled in the art to which it pertains,** or with which it is
most nearly connected, to make and use the same and shall set forth the best
mode contemplated by the inventor of carrying out his invention.

The few generic examples of algorithms and instructions in the specifications
regarding the calculation of a risk quotient of regulatory risk which algorithms,
according to the specifications "may" (or may not) be utilized, **do not provide
full, clear, concise, and exact terms as to enable any person skilled in the
art to duplicate the invention.** As written it is entirely subjective and incomplete,
and only provides a general description of old and well known approaches to
common analyses of risk; not a specific set of steps with very specific
mathematical values or algorithms for or a detailed list of each element being
evaluated by this invention or a definition of what weights will be applied to which
elements.

The claims cite data structuring reliance upon the calculation of a risk "quotient"
using an algorithm, which quotient by mathematical definition is the result of one
number **divided** by another or expressed as a ratio (one number divided by another) of
two numbers multiplied by 100. The specifications only mention a "quotient" resulting
from two numbers being **multiplied** together. There is only a single paragraph in the
specifications that describes the calculation by algorithm of a risk quotient, and that
description is replete with the uncertain and non-specific terms "may be (or maybe not)"
and "can be (or can not)", and does not clearly and adequately explain with certainty
exactly how that quotient is calculated by one wishing to duplicate and use the
invention. While an applicant may use his own defined words, those words cannot be
the opposite of their normal well known meaning, which is the case when using the
word "quotient" meaning the result of division to describe instead the product of
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In addition there is no definition of what the first category or second category
(political risk score) is for purposes of calculating the risk score, nor is there any
definition of what or at what level the threshold is or how it is calculated, nor is there any

definition of what the scale of the score is so as to determine what numerical level is considered high and what level is low. In the example on page 13 of the specifications it is stated that a quotient of −12 indicates a low risk, but (since a negative number was shown as **the only example**) on a scale of **all** negative numbers −1 million would be low and −12 would be high. There is also no definition of the numeric criteria is for each evaluation factor, nor a list of all the evaluation factors, in order for a user to determine exactly what is at issue and how the risk scores are to be calculated. There is only a general concept proposed that one should know who they are dealing with in a financial transaction through some undescribed set of evaluation factors with equally undescribed weighting criteria, and how that knowledge on some undescribed numeric scale might impact their decision to do business with them in some undescribed way.

The applicant has not described a specific list of evaluation factors of either the person or the transaction, nor has he provided a specific list of the weightings that should be applied to each factor, nor has he provided a specific equation of how the "quotient" is to be calculated, nor has he provided a method of calculating what a threshold should be, nor has he provided a specific and complete concrete example of how this invention should be used with all elements and equations defined and included.

The MPEP in section 2164.01(a) lays out Undue Experimentation Factors (A) through (H). The claims of the applicant are very broad and vague, there is essentially no direction provided by the inventor, and the users must of necessity conduct a great deal of experimentation on their part in order to use the invention – to the point where the users become the inventor of their own application or use of the invention, rather than the applicant.

In addition the combination of the five references and examiner's note of obviousness (Paragraph 5 above) fully address all the features, methods, means, and steps described in claims 47-53.

7.   Any inquiry concerning this communication or earlier communications from the examiner should be directed to Richard Fults whose telephone number is 703-305-5416. The examiner can normally be reached on weekdays from 8:30 to 5:00.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Hyung Sough, can be reached on (703)-305-0505. The fax phone number for the organization where this application or proceeding is assigned is 703-872-9306.

Any inquiry of a general nature or relating to the status of this application or proceeding should be directed to the receptionist whose telephone number is 703-308-1113.

RCF   2/18/2004

JEFFREY PWU
PRIMARY EXAMINER